



September 9, 2015

Mr. Phuoc H. Hua, President
ABC Beauty Academy
1841 North Jupiter Road, Suite 120
Garland, TX 75042-8682

Certified Mail
Return Receipt Requested
7011 2000 0000 8054 3939

RE: **Final Program Review Determination**
OPE ID: 04168800
PRCN: 201310628101

Dear Mr. Hua:

The U.S. Department of Education's (Department's) Dallas School Participation Division issued a program review report on January 14, 2013, covering ABC Beauty Academy's (ABC Beauty's) administration of programs authorized by Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs), for the 2011-2012 and 2012-2013 award years. ABC Beauty's final response was received on April 15, 2013. A copy of the program review report (and related attachments) and ABC Beauty's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by ABC Beauty upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

Purpose:

Final determinations have been made concerning all of the outstanding findings of the program review report. ABC failed to address adequately 2 of the 5 findings, as detailed in the attached report. The purpose of this letter is to: (1) notify ABC Beauty of a possible adverse action, and (2) close the review. Due to the serious nature of one or more of the enclosed findings, this FPRD is being referred to the Department's Administrative Actions and Appeals Service Group (AAASG) for its consideration of possible adverse action. Such action may include a fine, or the limitation, suspension or termination of the eligibility of the institution. Such action may also include the revocation of the institution's program participation agreement (if provisional), or, if the institution has an application pending for renewal of its certification, denial of that application. If AAASG initiates any action, a separate notification will be provided which will include information on institutional appeal rights and procedures to file an appeal.

This FPRD contains one or more findings regarding ABC Beauty's failure to comply with the requirements of the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime

Federal Student Aid
An OFFICE of the U.S. DEPARTMENT of EDUCATION

Dallas School Participation Division
1999 Bryan Street, Suite 1410, Dallas, TX 75201-6817
StudentAid.gov

Statistics Act (*Clery Act*) in Section 485(f) of the HEA, 20 U.S.C. §1092(f), and the Department's regulations at 34 C.F.R. §§668.41, 668.46, and 668.49. Because *Clery Act* findings do not result in financial liabilities, such findings may not be appealed. If an adverse administrative action is initiated, additional information about ABC Beauty's appeal rights will be provided under separate cover.

Protection of Personally Identifiable Information (PII):

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. The findings in the attached report contains student PII. Each finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A.

Record Retention:

Program records relating to the period covered by the program review must be retained until the later of: resolution of the loans, claims or expenditures questioned in the program review; or the end of the retention period otherwise applicable to the record under 34 C.F.R. §§ 668.24(e)(1), (e)(2), and (e)(3).

The Department expresses its appreciation for the courtesy and cooperation extended during the review. If the institution has any questions regarding this letter, please contact Crystal Brennan at 214-661-9519. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely,



Cynthia Thornton, Director
Dallas School Participation Division

Enclosures:

Protection of Personally Identifiable Information
Final Program Review Determination letter (including appendices)

cc: Kaler Nguyen, Financial Aid Administrator
National Accrediting Commission of Career Arts and Sciences
Texas Department of Licensing and Regulation - Cosmetology

Prepared for

ABC Beauty Academy

Federal Student Aid
An OFFICE of the U.S. DEPARTMENT of EDUCATION

PROUD SPONSOR of
the AMERICAN MIND™

OPE ID 04168800

PRCN 201310628101

Prepared by

U.S. Department of Education

Federal Student Aid

School Participation Division - Dallas

Final Program Review Determination September 9, 2015

Table of Contents

A. Institutional Information..... 3

B. Scope of Review 4

C. Findings and Final Determination..... 4

 Finding 2. Failure to Comply with Drug and Alcohol Abuse Education and Prevention
 Program Requirements..... 5

 Finding 3: Crime Awareness Requirements Not Met - Omission/Inadequacy of Required
 Security Policies in the ASR. 7

D. Appendices..... 10

 Appendix A – Program Review Report

 Appendix B – Institutional Response

A. Institutional Information

ABC Beauty Academy
1841 North Jupiter Road
Dallas, TX 75042-8682

Type: Proprietary

Highest Level of Offering: Non-Degree 1 Year

Accrediting Agency: National Accrediting Commission of Career Arts and Sciences

Current Student Enrollment: 34 (2011-2012)

% of Students Receiving Title IV, HEA funds: 41% (2011-2012)

Title IV, HEA Program Participation: School Participation Division School Funding

2011-2012

Federal Pell Grant (Pell)	\$270,504
---------------------------	-----------

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at ABC Beauty Academy (ABC Beauty) from October 29, 2012 to November 1, 2012. The review was conducted by Ms. Crystal Brennan, Ms. MaEsther Francis, and Mrs. Stephanie Akon.

The focus of the review was to determine ABC Beauty's compliance with the statutes and regulations as they pertain to the institution's administration of the Title IV, HEA programs. The review consisted of, but was not limited to, an examination of ABC Beauty's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 30 files was identified for review from the 2011-2012 and 2012-2013 award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. A program review report was issued on January 14, 2013.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning ABC Beauty's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve ABC Beauty of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

C. Findings and Final Determination

Resolved Findings

ABC Beauty has taken the corrective actions necessary to resolve Findings 1, 4, and 5 of the program review report. Therefore, these findings may be considered closed. Findings requiring further action by ABC Beauty are discussed below.

Findings with Final Determinations

The program review report findings requiring further action are summarized below. At the conclusion of each finding is a summary of ABC Beauty's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on January 14, 2013, is attached as Appendix A.

Finding 2. Failure to Comply with Drug and Alcohol Abuse Education and Prevention Program Requirements

Citation Summary: The Drug-Free Schools and Communities Act (*DFSCA*) and Part 86 of the Department's General Administrative Regulations require each institution of Higher Education (IHE) that receives Federal education funds to certify that it has developed and implemented a drug and alcohol abuse education and prevention program. The program must be designed to prevent the unlawful possession, use, and distribution of drugs and alcohol on campus and at recognized events and activities. In addition, each IHE must conduct a biennial review of its drug and alcohol abuse education and prevention program to (1) to determine its effectiveness; (2) to implement necessary changes; and, (3) to ensure that the disciplinary sanctions are enforced consistently. In addition, each IHE must actively distribute its drug and alcohol prevention program disclosure to all employees and to each student who is taking one or more classes for any type of academic credit *34 C.F.R. §§ 86.1, 86.3, and 86.100.*

Noncompliance Summary: ABC Beauty could not provide documentation that it had complied fully with the *DFSCA* requirements. Specifically, ABC Beauty could not provide the following documentation/information:

- (1) A copy of the Biennial Review (BR) report.
- (2) An explanation and supporting documents regarding how the institution measures the effectiveness of its Drug and Alcohol Abuse Prevention Program (DAAPP) and how it evaluates the need for any necessary policy and/or procedural changes.
- (3) The responsible person(s) for conduct of the biennial review and executive approval of the BR.

Failure to comply with the drug and alcohol abuse education and prevention program requirements deprives students and employees of important information regarding the educational, financial, health, and legal consequences of alcohol abuse and illicit drug use. Failure to comply with the biennial review requirements deprives the institution itself of important information about the effectiveness of its drug and alcohol programs. Such failures may contribute to increased drug and alcohol abuse on-campus as well as an increase in drug and alcohol-related violent crime.

Required Action Summary: ABC Beauty was required to conduct a biennial review to measure the effectiveness of its drug and alcohol abuse education and prevention programs. In addition, ABC Beauty was required to describe the research methods and data analysis tools used to determine the effectiveness of the program as well as the responsible official(s) or office(s) that conducted the review. The new biennial review and report was to be completed by March 1, 2013 and submitted to the Department by March 15, 2013.

ABC Beauty was notified that violations of the *DFSCA* are very serious and, by their nature, cannot be cured. Although ABC Beauty was given an opportunity to bring its drug and alcohol

abuse prevention programs into compliance with the *DFSCA* as required by its Program Participation Agreement (PPA), these remedial measures do not, in any manner, ameliorate these violations nor do they eliminate the possibility that the Department will impose additional corrective or administrative actions.

Institutional Response: In its official response, ABC Beauty concurred with the finding and stated that remedial action was taken as directed in the program review report. In summary, institutional officials asserted that a biennial review was conducted as part of its corrective actions. Institutional officials also stated that a report of findings was produced and that the report was approved by senior management. The institution's response is included in Appendix B of this report.

Final Determination: Finding 2 cited ABC Beauty for its persistent failure to conduct biennial reviews and the resultant failure to produce the required reports of findings and recommendations. As a result of this violation, ABC Beauty was required to conduct a substantive biennial review and produce a detailed report of findings. In addition, the institution was required to develop and implement internal policies and procedures to ensure that future reviews are conducted on the required schedule. In its response, ABC Beauty officials concurred with the finding and asserted that adequate remedial action was taken. The institution also submitted documents in support of its claims.

The Department carefully examined ABC Beauty's narrative response and supporting documentation. Based on that review and the institution's admission of noncompliance, the violations identified in the initial finding are sustained. The review team's examination also showed that the identified violations were, for the most part, satisfactorily addressed by ABC Beauty's inaugural biennial review report and new internal policies and procedures. As such, the Department determined that the institution's remedial action plan meets minimum requirements. For these reasons, the Department has accepted the response and considers this finding to be closed for purposes of this program review. Nevertheless, the officials and directors of ABC Beauty are put on notice that the institution must take all necessary action to address the violations identified by the Department as well any deficiencies and weaknesses that were detected during the preparation of its response, and/or as may otherwise be needed to ensure that these violations do not recur.

In this regard, ABC Beauty officials are advised that the institution must continue to develop its DAAPP, actively distribute accurate and complete program materials to members of the campus community, and conduct substantive biennial reviews on the required schedule. ABC Beauty must also ensure that each biennial review report includes substantive information about the conduct of the review including details about the research methods used and outcomes reached. Care must also be taken to ensure that all findings are supported by valid evidence and that appropriate action is taken on all recommendations for improvement. Finally, each report must indicate that it was approved by the institution's President and/or its board.

Although this finding is now closed for the purposes of this program review, ABC Beauty is reminded that the exceptions identified above constitute very serious and persistent violations of

the *DFSCA* that by their nature cannot be cured. There is no way to truly “correct” violations of this type once they occur. The institution asserted that it has taken adequate remedial actions and is now in compliance with the *DFSCA* as required by its PPA. Nevertheless, ABC Beauty officials must understand that compliance with the *Clery Act* and the *DFSCA* is essential to maintaining a safe and healthy learning environment. Data compiled by the Department shows that the use of illicit drugs and alcohol abuse is highly correlated to increased incidents of violent crime on campus. *DFSCA* violations deprive students and employees of important information regarding the educational, financial, health, and legal consequences of alcohol abuse and illicit drug use and deprive institutions of important information about the effectiveness of any drug and alcohol programs that may have been in place during the review period. For these reasons, ABC Beauty is advised that its remedial actions cannot and do not diminish the seriousness of these violations nor do they eliminate the possibility that the Department will impose an adverse administrative action and/or require additional corrective actions as a result.

Because of the serious consequences of a *DFSCA* compliance failure, the Department strongly recommends that ABC Beauty re-examine its DAAPP policies and procedures on at least an annual basis and revise them as needed to ensure that they continue to reflect current institutional policy and are in full compliance with the *DFSCA*. Please be advised that the Department may request information on a periodic basis to test the effectiveness of the institution’s new policies and procedures.

Finding 3: Crime Awareness Requirements Not Met - Omission/Inadequacy of Required Security Policies in the ASR.

Citation Summary: The Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (*Clery Act*) and the Department’s regulations require that all institutions that receive Title IV, HEA funds must publish and distribute a materially-complete Annual Security Report (ASR) that describes its policies, procedures, and programs related to campus crime and security. Institutions also must publish statistics of certain incidents of crime that are reported to its police or security department and/or to any official that meets the definition of a campus security authority. 34 C.F.R. § 668.46(b); 34 C.F.R. § 668.41(e). The required policy disclosures include but are not limited to the following:

- (1) A statement of policy regarding the institution’s campus sexual assault programs to prevent sex offenses, and procedures to follow when a sex offense occurs. The statement must include: Procedures for campus disciplinary action in cases of an alleged sexual offense, including a clear statement that the accuser and the accused are entitled to the same opportunities to have others present during a disciplinary hearing and that both the accuser and the accused must be informed of the outcome of any institutional disciplinary proceeding brought alleging a sex offense; 34 C.F.R. § 668.46(b)(11).
- (2) A statement of policy advising the campus community where law enforcement agency information provided by a State concerning registered sex offenders may be obtained; 34 C.F.R. § 668.46(b)(12).

- (3) A statement of policy regarding emergency response and evacuation procedures whether the institution has any policies or procedures that allow victims or witnesses to report crimes on a voluntary, confidential basis for inclusion in the annual disclosure of crime statistics, and, if so, a description of those policies and procedures; 34 C.F.R. § 668.46(b)(13) and (g).

Noncompliance Summary: ABC Beauty Academy failed to publish and distribute an accurate and complete ASR. Specifically, ABC's ASR did not include the following required policy statements:

- (1) A statement of policy and procedures for campus disciplinary action in alleged sex offenses. In these situations, institutions must provide the accuser and accused an opportunity to be present or have others present during any disciplinary proceedings and both parties must be informed of the outcome of any proceedings.
- (2) A statement of policy advising the campus where law enforcement information provided by a State concerning registered sex offenders may be obtained, such as a local law enforcement agency with jurisdiction for the campus or a computer network address.
- (3) A statement of policy regarding emergency response and evacuation procedures that includes: the procedures the institution will use to immediately notify the campus community of an immediate threat; the process to confirm there is a significant emergency or dangerous situation; the institution will, without delay, initiate the notification system; and the procedures to test the emergency response and evacuation procedures on at least an annual basis along with documenting a description of the exercise, the date, time, and whether it was announced or unannounced.

The *Clery Act* is first and foremost a consumer protection initiative based on the premise that "to be forewarned is to be forearmed." Failure to prepare an accurate and complete ASR and to actively distribute it to current students and employees deprives the campus community of important campus crime and security information. Accurate and complete disclosure of policies is an essential component of the *Clery Act* and all failures to disclose effectively negate the intent of the Act.

Required Action Summary: ABC Beauty was required to correct its ASR to include the required policy and procedure disclosures indicated above. A draft of the ASR was required with ABC Beauty's response to the program review report. Once the new ASR was evaluated by the review team for accuracy and completeness, ABC Beauty was to take all necessary steps to ensure the ASR was actively distributed to all current students and employees in accordance with 34 C.F.R. § 668.41(e).

ABC Beauty was notified that violations of the *Clery Act* are very serious and, by their nature, cannot be cured. Although ABC Beauty was given an opportunity to bring its ASR and overall campus security program into compliance with the *Clery Act* as required by its PPA, these remedial measures do not in any manner ameliorate these violations nor do they eliminate the possibility that the Department will impose additional corrective or administrative actions.

Institutional Response: In its official response, ABC Beauty concurred with the finding and stated that remedial action was taken as directed in the program review report. In summary, institutional officials asserted that it reviewed and revised its 2012 ASR to specifically address the identified deficiencies.

Final Determination: Finding 3 of the program review report cited ABC Beauty for its failure to include certain required statements of policy and procedure in its 2012 ASR. Specifically, the institution's 2012 ASR report did not include the three significant policy disclosures listed in the noncompliance section above required by 34 C.F.R. §668.46(b). As a result of this violation, ABC Beauty was required to develop and implement new policies and procedures to address the identified deficiencies. Then, the institution was required to include these statements in a revised ASR and to distribute that report to enrolled students and current employees. In its response, ABC Beauty concurred with the finding, described its remedial actions, and submitted documentation in support of its claims.

The Department carefully examined ABC Beauty's narrative response and supporting documentation. Based on that review and the institution's admission of noncompliance, the violations identified in the initial finding are sustained. The review team's examination also showed that the identified violations were, for the most part, satisfactorily addressed in the modified 2012 ASR. As such, the Department has determined that ABC Beauty's remedial action plan meets minimum requirements. For these reasons, the Department has accepted the institution's response and considers this finding closed for purposes of this program review. Nevertheless, the officials of ABC Beauty are put on notice that they must take any additional actions that may be needed to address the deficiencies identified by the Department, as well as any other deficiencies or weaknesses that were detected by the institution during the preparation of its response, and/or as may otherwise be needed to ensure that these violations do not recur.

Although the finding is closed for the purposes of this program review, ABC Beauty is reminded that the exceptions identified above constitute serious violations of the *Clery Act* that by their nature cannot be cured. There is no way to truly "correct" a violation of this type once it occurs. ABC Beauty asserted that it has taken adequate remedial actions and that by doing so, that it is now in compliance with the *Clery Act* as required by its PPA. Nevertheless, ABC Beauty's management must understand that the violations documented by the program review deprived students and employees of important campus safety and crime prevention information to which they are entitled. For these reasons, ABC Beauty is advised that its remedial actions cannot and do not diminish the seriousness of these violations nor do they eliminate the possibility that the Department will impose an adverse administrative action and/or require additional corrective actions as a result.

Because of the serious consequences of *Clery Act* violations, the Department strongly recommends that ABC Beauty re-examine its campus security, drug and alcohol, and general Title IV policies and procedures on an annual basis to ensure that they continue to reflect current institutional practices and are compliant with federal regulations. As part of these periodic reviews, ABC Beauty officials are encouraged to continue to use the Department's "Handbook for Campus Safety and Security Reporting" (2011) as a reference guide for *Clery Act* compliance. The Handbook is online at: www2.ed.gov/admins/lead/safety/handbook.pdf. The Department also provides a number of other *Clery Act* training resources. ABC Beauty can access these materials at: www2.ed.gov/admins/lead/safety/campus.html. The regulations governing the *Clery Act* can be found at 34 C.F.R. §§ 668.14, 668.41, 668.46, and 668.49.

ABC Beauty's management is also reminded that Section 304 of the Violence Against Women Reauthorization Act of 2013 (VAWA) amended the *Clery Act* to require institutions to compile and disclose statistics for incidents of sexual assault, dating violence, domestic violence, and stalking. VAWA also requires institutions to include new policy, procedural, and programmatic disclosures regarding sexual assault prevention, response, and adjudication in their ASRs. All institutions are currently obligated to make a documented good-faith effort to comply with the statutory requirements of VAWA and were required to include all new required content in the 2014 ASR. The Department issued Final Rules on the VAWA amendments on October 20, 2014 and therefore, these regulations went into effect on July 1, 2015, per the Department's Master Calendar. In light of the violations documented above, ABC Beauty is advised to bring its sexual assault policies up to the standard required by VAWA now. ABC Beauty officials may access the text of the Final Rule at:

<http://ifap.ed.gov/fregisters/attachments/FR102014FinalRuleViolenceAgainstWomenAct.pdf>

D. Appendices

Appendix A – Program Review Report
Appendix B – Institutional Response

ABC Beauty Academy
OPE ID 04168800
PRCN 201310628101

Appendix A – Program Review Report



January 14, 2013

Mr. Phuoc H. Hua, President
ABC Beauty Academy
1841 North Jupiter Road, Suite 120
Garland, TX 75042-8682

Certified Mail
Return Receipt Requested
7011 2000 0000 8054 3373

RE: Program Review Report
OPE ID: 04168800
PRCN: 201310628101

Dear Mr. Phuoc:

From October 29, 2012, through November 1, 2012, Crystal Brennan, MaEsther Francis and Stephanie Akon conducted a review of ABC Beauty Academy's (ABC Beauty) administration of the programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs). The findings of that review are presented in the enclosed report.

Findings of noncompliance are referenced to the applicable statutes and regulations and specify the action required to comply with the statutes and regulations. Please review the report and respond to each finding, indicating the corrective actions taken by ABC Beauty. The response should include a brief, written narrative for each finding that clearly states ABC Beauty's position regarding the finding and the corrective action taken to resolve the finding. Separate from the written narrative, ABC Beauty must provide supporting documentation as required in each finding.

Please note that pursuant to HEA section 498A(b), the Department is required to:

- (1) provide to the institution an adequate opportunity to review and respond to any preliminary program review report¹ and relevant materials related to the report before any final program review report is issued;
- (2) review and take into consideration an institution's response in any final program review report or audit determination, and include in the report or determination –
 - a. A written statement addressing the institution's response;
 - b. A written statement of the basis for such report or determination; and
 - c. A copy of the institution's response.

¹ A "preliminary" program review report is the program review report. The Department's final program review report is the Final Program Review Determination (FPRD).

Federal Student Aid
An OFFICE of the U.S. DEPARTMENT of EDUCATION

1999 Bryan St., Suite 1410, Dallas TX 75201-6817

The Department considers the institution's response to be the written narrative (to include e-mail communication). Any supporting documentation submitted with the institution's written response will not be attached to the FPRD. However, it will be retained and available for inspection by ABC Beauty upon request. Copies of the program review report, the institution's response, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after the FPRD is issued. The institution's response should be sent directly to Crystal Brennan of this office within 30 calendar days of receipt of this letter.

Protection of Personally Identifiable Information (PII):


PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, the findings in the attached report do not contain any student PII. Instead, each finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A, Student Sample. The appendix was encrypted and sent separately to the institution via e-mail. Please see the enclosure Protection of Personally Identifiable Information for instructions regarding submission to the Department of required data containing PII.

Record Retention:

Program records relating to the period covered by the program review must be retained until the later of: resolution of the loans claims or expenditures questioned in the program review; or the end of the retention period otherwise applicable to the record under 34 C.F.R. § 668.24(e).

We would like to express our appreciation for the courtesy and cooperation extended during the review. Please refer to the above Program Review Control Number (PRCN) in all correspondence relating to this report. If you have any questions concerning this report, please contact Crystal Brennan at (214) 661-9519 or Crystal.Brennan@ed.gov.

Sincerely,


Jesus Moya /
Compliance Manager

cc: Kaler Nguyen, Financial Aid Administrator

Enclosure:
Protection of Personally Identifiable Information

Prepared for
ABC Beauty Academy

Federal Student Aid
An OFFICE of the U.S. DEPARTMENT of EDUCATION

PROUD SPONSOR of
the AMERICAN MIND™

OPE ID 04168800
PRCN 201310628101

Prepared by
U.S. Department of Education
Federal Student Aid
Dallas School Participation Division

Program Review Report

January 14, 2013

1999 Bryan St., Suite 1410, Dallas TX 75201-6817

StudentAid.gov

Table of Contents

A. Institutional Information.....	3
B. Scope of Review	4
C. Findings.....	4
Finding 1. Consumer Information Requirements Not Met	4
Finding 2. Failure to Comply with Drug and Alcohol Abuse Education and Prevention Program Requirements.....	5
Finding 3. Crime Awareness Requirements Not Met - Omission/Inadequacy of Required Security Policies in the ASR.....	6
Finding 4. Bank Account Federal-Funds Not Identified.....	8
Finding 5. Current Year Funds Used To Pay Prior Year Charges	8
D. Appendices.....	9
Appendix A: Student Sample (sent via e-mail).....	10

A. Institutional Information

ABC Beauty Academy
1841 North Jupiter Road, Suite 120
Garland, TX 75042-8682

Type: Proprietary

Highest Level of Offering: Non-Degree 1 Year

Accrediting Agency: National Accrediting Commission of Career Arts and Sciences

Current Student Enrollment: 34 (2011-2012)

% of Students Receiving Title IV: 41% (2011-2012)

Title IV Participation: School Participation Team Funding Report

2011-2012

Federal Pell Grant (Pell)

\$270,504

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at ABC Beauty Academy (ABC Beauty) from October 29, 2012, to November 1, 2012. The review was conducted by Crystal Brennan, MaEsther Francis, and Stephanie Akon.

The focus of the review was to determine ABC Beauty's compliance with the statutes and federal regulations as they pertain to the institution's administration of the Title IV programs. The review consisted of, but was not limited to, an examination of ABC Beauty's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 30 files was identified for review from the 2011-2012 and 2012-2013 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning ABC Beauty's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve ABC Beauty of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

This report reflects initial findings. These findings are not final. The Department will issue its final findings in a subsequent Final Program Review Determination letter.

C. Findings

During the review, several areas of noncompliance were noted. Findings of noncompliance are referenced to the applicable statutes and regulations and specify the actions to be taken by ABC Beauty to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding 1. Consumer Information Requirements Not Met

Citation: Information that the institution must make readily available to enrolled and prospective students includes, but is not limited to, the cost of attending the institution; tuition and fees charged to full-time and part-time students; estimates of costs for necessary books and supplies; estimates of typical charges for room and board; estimates of transportation costs for students; and any additional cost of a program in which a student is enrolled or expresses specific interests. 34 C.F.R. § 668.43 (a)(1)

Furthermore, the financial aid administrator has the authority, on the basis of adequate documentation, to make adjustments on a case-by-case basis to the cost of attendance to allow for treatment of an individual eligible applicant with special circumstances. Adequate documentation for such adjustments shall substantiate such special circumstances for individual students. *Section 472 of the Higher Education Act, as amended*

Noncompliance: ABC Beauty provided the correct budget components for cost of attendance but no values were assigned to transportation, room/board, and miscellaneous expenses.

Required Action: ABC Beauty must assign costs to the cost of attendance budget components for transportation, room/board, and miscellaneous expenses.

Finding 2. Failure to Comply with Drug and Alcohol Abuse Education and Prevention Program Requirements

Citation: The Drug-Free Schools and Communities Act (DFSCA) and Part 86 of the Department's General Administrative Regulations require each institution of Higher Education (IHE) that receives Federal education funds to certify that it has developed and implemented a drug and alcohol abuse education and prevention program. The program must be designed to prevent the unlawful possession, use, and distribution of drugs and alcohol on campus and at recognized events and activities. In addition, each IHE must conduct a biennial review of its drug and alcohol abuse education and prevention program to (1) to determine its effectiveness; (2) to implement necessary changes; and, (3) to ensure that the disciplinary sanctions are enforced consistently. In addition, each IHE must actively distribute its drug and alcohol prevention program disclosure to all employees and to each student who is taking one or more classes for any type of academic credit. *34 C.F.R. §§ 86.1, 86.3, and 86.100*

Noncompliance: ABC Beauty could not provide documentation that it had complied fully with the DFSCA requirements. Specifically, ABC Beauty could not provide the following documentation/information:

1. A copy of the Biennial Review (BR) report.
2. An explanation and supporting documents regarding how the institution measures the effectiveness of its drug and alcohol abuse prevention program and how it evaluates the need for any necessary policy and/or procedural changes.
3. The responsible person(s) for conduct of the biennial review and executive approval of the BR report.

Failure to comply with the drug and alcohol abuse education and prevention program requirements deprives students and employees of important information regarding the educational, financial, health, and legal consequences of alcohol abuse and illicit drug use. Failure to comply with the biennial review requirements deprives the institution itself of

important information about the effectiveness of its drug and alcohol programs. Such failures may contribute to increased drug and alcohol abuse on-campus as well as an increase in drug and alcohol-related violent crime.

Required Action: ABC Beauty must conduct a biennial review to measure the effectiveness of its drug and alcohol abuse education and prevention programs. ABC Beauty must describe the research methods and data analysis tools that will be used to determine the effectiveness of the program as well as the responsible official(s) or office(s) that will conduct the review. The BR report must also address how the institution will ensure consistent enforcement of its disciplinary standards and codes of conduct regarding drug and alcohol use and abuse. Finally, the BR report must be approved by the institution's chief executive and made available to the public upon request. The new biennial review and report must be completed by October 2012 and submitted to the Department by February 15, 2013.

As noted above, violations of the DFSCA are very serious and by their nature, cannot be cured. Although ABC Beauty will be given an opportunity to bring its drug and alcohol abuse prevention programs into compliance with the DFSCA as required by its Program Participation Agreement (PPA), these remedial measures do not, in any manner, ameliorate these violations nor do they eliminate the possibility that the Department will impose additional corrective or administrative actions.

Based on an evaluation of all available information, including ABC Beauty's institutional response, the Department will determine if additional action will be required and will advise the institution accordingly in the Final Program Review Determination letter.

Finding 3. Crime Awareness Requirements Not Met - Omission/Inadequacy of Required Security Policies in the ASR

Citation: The Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (*Clery Act*) and the Department's regulations require that all institutions that receive Title IV, HEA funds must publish and distribute a materially-complete Annual Security Report (ASR) that describes its policies, procedures, and programs related to campus crime and security. Institutions also must publish statistics of certain incidents of crime that are reported to its police or security department and/or to any official that meets the definition of a campus security authority. 34 C.F.R. 668.46(b); 34 C.F.R. § 668.41(e). The required policy disclosures include but are not limited to the following:

- (1) A statement of policy regarding the institution's campus sexual assault programs to prevent sex offenses, and procedures to follow when a sex offense occurs. The statement must include: Procedures for campus disciplinary action in cases of an alleged sexual offense, including a clear statement that the accuser and the accused are entitled to the same opportunities to have others present during a disciplinary hearing and that both the accuser and the accused must be informed

of the outcome of any institutional disciplinary proceeding brought alleging a sex offense; 34 C.F.R. § 668.46(b)(11).

- (2) A statement of policy advising the campus community where law enforcement agency information provided by a State concerning registered sex offenders may be obtained; 34 C.F.R. § 668.46(b)(12).
- (3) A statement of policy regarding emergency response and evacuation procedures whether the institution has any policies or procedures that allow victims or witnesses to report crimes on a voluntary, confidential basis for inclusion in the annual disclosure of crime statistics, and, if so, a description of those policies and procedures; 34 C.F.R. § 668.46(b)(13) and (g).

Noncompliance: ABC Beauty Academy failed to publish and distribute an accurate and complete ASR. Specifically, ABC's ASR did not include the following required policy statements:

- (1) A statement of policy and procedures for campus disciplinary action in alleged sex offenses. In these situations, institutions must provide the accuser and accused an opportunity to be present or have others present during any disciplinary proceedings and both parties must be informed of the outcome of any proceedings.
- (2) A statement of policy advising the campus where law enforcement information provided by a State concerning registered sex offenders may be obtained, such as a local law enforcement agency with jurisdiction for the campus or a computer network address.
- (3) A statement of policy regarding emergency response and evacuation procedures that includes: the procedures the institution will use to immediately notify the campus community of an immediate threat; the process to confirm there is a significant emergency or dangerous situation; the institution will, without delay, initiate the notification system; and the procedures to test the emergency response and evacuation procedures on at least an annual basis along with documenting a description of the exercise, the date, time and whether it was announced or unannounced.

The *Clery Act* is first and foremost a consumer protection initiative based on the premise that "to be forewarned is to be forearmed." Failure to prepare an accurate and complete ASR and to actively distribute it to current students and employees deprives the campus community of important campus crime and security information. Accurate and complete disclosure of policies is an essential component of the *Clery Act* and all failures to disclose effectively negate the intent of the Act.

Required Action: ABC Beauty must correct its current ASR to include the required policy and procedure disclosures indicated above. A draft of the ASR must accompany ABC Beauty's response to this program review report. Once the new ASR is evaluated by the review team for accuracy and completeness, ABC Beauty must take all necessary steps to ensure the ASR is actively distributed to all current students and employees in accordance with 34 C.F.R. § 668.41 (e).

As noted above, violations of the Clery Act are very serious and by their nature, cannot be cured. Although ABC Beauty will be given an opportunity to bring its ASR and overall campus security program into compliance with the Clery Act as required by its PPA, these remedial measures do not in any manner ameliorate these violations nor do they eliminate the possibility that the Department will impose additional corrective or administrative actions.

Based on the evaluation of all available information, including ABC's response, the Department will determine if additional actions will be required and will advise the institution accordingly in its Final Program Review Determination.

Finding 4. Bank Account Federal-Funds Not Identified

Citation: Institutions are required to maintain at least one bank account into which the Department transfers, or the institution deposits, Title IV, HEA program funds. For each bank account that contains Title IV, HEA program funds, an institution must identify that federal funds are maintained in the account by:

- Including the phrase "*federal funds*" in the name of the account, or
- Notifying the bank or investment company that the account contains Title IV, HEA program funds and, except for public institution, filing Uniform Commercial code (UCC-1) statement with the appropriate state or municipal government that discloses that an account contains federal funds.

The institution must keep a copy of any notice to banks or investment companies as well as any UCC-1 in its records. 34 C.F.R. § 668.163

Noncompliance: ABC Beauty did not properly identify the bank account into which it deposits its Title IV, HEA program funds.

Required Action: ABC Beauty provided documentation that its bank account identified federal funds while the reviewers were on site. Therefore, no further action is needed.

Finding 5. Current Year Funds Used To Pay Prior Year Charges

Citation: An institution may use Title IV, HEA program funds to credit a student's account at the institution to satisfy current year charges for tuition, fees, room and board if the student

contracts with the institution, and other educationally related expenses if the institution obtains the student's or parent's authorization. In addition, an institution may use Title IV, HEA funds to pay prior year charges for a total of not more than \$200 for tuition, fees, room, board, and other authorized educationally related expenses. *34 C.F.R. § 668.164 (d)*

Noncompliance: ABC Beauty charges for the entire program of study at the beginning of the student's enrollment. Specifically, total tuition and fee charges are posted to the student's account and Title IV, HEA program funds are applied as awarded and disbursed to reduce the amount of the charges regardless of the award year in which the funds were awarded. Because of the total cost of the program of study at ABC Beauty, the amount of Title IV HEA funds awarded in a specific award year will not reduce a student's balance to zero. Therefore, any Title IV funds awarded in a subsequent award year are applied to the existing balance, which exceeds the \$200 allowed to pay prior year charges in accordance with the federal regulations.

The account ledgers for students #5, #6, #7, #8, #13, #20, #21, #23, #24, #25, #26, #27, #28, #29, and #30 indicate that prior charges were paid from the current year's financial aid award. Specifically, students who enrolled during award years 2011-2012 or 2012-2013 and received Title IV, HEA funds had outstanding balances of more than \$200 when they received Title IV, HEA funds for award years 2011-2012 and 2012-2013, respectively. Therefore, ABC Beauty applied Title IV, HEA funds to prior award year balances in excess of \$200.

Required Action: ABC Beauty must develop a policy and procedure describing how tuition and fee charges will be assessed to ensure that prior year charges paid from current year Title IV, HEA awards will not exceed the \$200 tolerance in accordance with the regulations and submit a copy with the institutional response to the program review report.

D. Appendices

Appendix A (Student Sample) contains personally identifiable information and will be emailed to ABC Beauty as an encrypted WinZip file using Advanced Encryption Standard, 256-bit. The password needed to open the encrypted WinZip file(s) will be sent in a separate email.

Appendix A: Student Sample (sent via e-mail)

This page intentionally left blank

PROTECTION OF PERSONALLY IDENTIFIABLE INFORMATION

Personally Identifiable Information (PII) being submitted to the Department must be protected. PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth).

PII being submitted electronically or on media (e.g., CD-ROM, floppy disk, DVD) must be encrypted. The data must be submitted in a .zip file encrypted with Advanced Encryption Standard (AES) encryption (256-bit is preferred). The Department uses WinZip. However, files created with other encryption software are also acceptable, provided that they are compatible with WinZip (Version 9.0) and are encrypted with AES encryption. Zipped files using WinZip must be saved as Legacy compression (Zip 2.0 compatible).

The Department must receive an access password to view the encrypted information. The password must be e-mailed separately from the encrypted data. The password must be 12 characters in length and use three of the following: upper case letter, lower case letter, number, special character. A manifest must be included with the e-mail that lists the types of files being sent (a copy of the manifest must be retained by the sender).

Hard copy files and media containing PII must be:

- sent via a shipping method that can be tracked with signature required upon delivery
- double packaged in packaging that is approved by the shipping agent (FedEx, DHL, UPS, USPS)
- labeled with both the "To" and "From" addresses on both the inner and outer packages
- identified by a manifest included in the inner package that lists the types of files in the shipment (a copy of the manifest must be retained by the sender).

PII data cannot be sent via fax.

ABC Beauty Academy
OPE ID 04168800
PRCN 201310628101

Appendix B – Institutional Response